109TH CONGRESS
1ST SESSION
H. R. 1762

To amend the Internal Revenue Code of 1986 to allow look-through treatment
of payments between related foreign corporations.

IN THE HOUSE OF REPRESENTATIVES

APRIL 21, 2005

Mr. CANTOR (for himself, Mrs. JOHNSON of Connecticut, Mr. JINDAL, and
Mr. FEENEY) introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow look-
through treatment of payments between related foreign
corporations.

1 *Be it enacted by the Senate and House of Representa-*

2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. LOOK-THROUGH TREATMENT OF PAYMENTS**

4 **BETWEEN RELATED CONTROLLED FOREIGN**

5 **CORPORATIONS UNDER THE FOREIGN PER-**

6 **SONAL HOLDING COMPANY RULES.**

7 (a) IN GENERAL.—Section 954(c) of the Internal

8 Revenue Code of 1986 (relating to foreign personal hold-

1 ing company income) is amended by adding at the end
2 the following new paragraph:

3   "(6) LOOK-THRU RULE FOR RELATED CON-
4   TROLLED FOREIGN CORPORATIONS.—For purposes
5   of this subsection, dividends, interest, rents, and
6   royalties received or accrued from a controlled for-
7   eign corporation which is a related person shall not
8   be treated as foreign personal holding company in-
9   come to the extent attributable or properly allocable
10   (determined under rules similar to the rules of sub-
11   paragraphs (C) and (D) of section 904(d)(3)) to in-
12   come of the related person which is not subpart F
13   income. For purposes of this paragraph, interest
14   shall include factoring income which is treated as in-
15   come equivalent to interest for purposes of para-
16   graph (1)(E). The Secretary shall prescribe such
17   regulations as may be appropriate to prevent the
18   abuse of the purposes of this paragraph.".

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall apply to taxable years of foreign corpora-
21 tions ending after January 1, 2005, and to taxable years
22 of United States shareholders with or within which such
23 taxable years of foreign corporations end.

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